

EXHIBIT 1-B

MONTANA DEPARTMENT OF COMMERCE HOME PROGRAM PILOT PROGRAM FOR DISBURSING FUNDS TO HOMEBUYER ASSISTANCE AND HOMEOWNER REHABILITATION PROGRAMS JUNE 1, 2006 TO MAY 31, 2008

Pilot program basics

1. The HOME Program will **dedicate half of its annual allocation to homebuyer assistance (HBA) and homeowner rehabilitation (HOR) programs**. The remaining half of the HOME allocation will be used to fund the construction, acquisition and/or rehabilitation of rental property; tenant-based rental assistance; or the development of new housing for homeownership. The development of new housing for homeownership includes self-help programs and other development programs, which involve a specific number of homes and require longer than 120 days to complete.

The rationale for using half of the annual HOME allocation for single-family programs is based on the history of grants made from the HOME Program. For 2006, the Montana Department of Commerce (MDOC) anticipates a single-family set-aside of \$2.1 million. This is subject to change, depending on the actual allocation from HUD.
2. Cities, Counties, Public Housing Authorities (PHAs) and Community Housing Development Organizations (CHDOs) will **submit a qualification package** (details below). There will be **no deadline, no application, no scoring** for programs providing homebuyer assistance or homeowner rehabilitation. HOME Program staff will review the qualification package within 60 days of receipt. Once an entity is qualified, it will enter a two-year contract with the Montana Department of Commerce (MDOC) and begin conducting its HBA or HOR program. An abbreviated recertifying process will be required every 2 years.
3. The HOME Program will ensure distribution of funds throughout the state by using a **formula to divide funds by districts of counties**, which for the most part, will follow HRDC districts. The attached outline of districts provides tentative amounts available to districts, which are subject to change, depending on the actual allocation from HUD.
4. Funds will be **reserved for each district for 18 months**, beginning June 1, 2006. After 18 months (December 1, 2007), **unused funds will be made available to other qualified entities on a statewide basis**.
5. Funds may be reserved for **120 days for HBA for existing homes and 180 days for HBA for individual homes being constructed**. This follows the Montana Board of Housing standard for single-family mortgages. Similarly, funds may be reserved for **180 days for HOR**. This is based on the experience of existing HOR programs. Note that these deadlines are not from the time funds are available to the time of completion. Rather, these deadlines are from the time a participant has been identified and qualified to participate in the program to the time the transaction is completed.

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6. The HOME Program will **reserve funds for a specific homebuyer or homeowner once an entity submits a completed Set Up report**. The HOME Program will have an e-mail address to which Set Up reports may be submitted. Upon receiving the Set Up, HOME will reserve funds from that district's pool of funds for the specific homebuyer or homeowner. Entities will then have 120/180 days to draw funds, complete the transaction and submit a Completion report. Documentation requirements will remain much the same as they are currently. The 120/180-day deadline is to prevent entities from reserving funds before they are actually needed.
7. There will continue to be a **5% match requirement for each homebuyer or homeowner assisted**.
8. Entities may continue to collect administration fees as soft costs. HOME will allow **up to a 12% fee for HOR programs and up to a \$1,500 fee for HBA programs**. Due to federal regulations, qualified entities will continue to provide documentation to justify the reimbursement of soft costs.

Qualification package requirements

In order for a City, County, PHA or CHDO to access funds through the pilot program, HOME staff must qualify the entity. The entity will be required to submit the following items in order to be considered. HOME staff will review each qualification package submitted within 60 days of receipt. An outline of the qualifying requirements may be obtained from HOME staff after January 2, 2006. Please call 406-841-2820 to obtain a copy or check the web at http://housing.mt.gov/Hous_HM.asp.

- ☒ Submit a **Management Plan**, following existing Management Plan templates for single-family programs (see attached template). Specifically, the Management Plan will include:
 - A Program Income Plan to account for the use of recaptured funds
 - Explanation of the process to determine income
 - Sample deed restrictions
 - Homebuyer education requirements (HBA only)
 - Plan for meeting ongoing compliance requirements (HBA only)
 - An Affirmative Marketing Plan
 - Method for determining the amount of assistance provided
 - Loan terms
 - Sample construction contract (HOR only)
 - Property standards to be used and eligible repairs to be completed (HOR only)
- ☒ Conduct an **Environmental Review and prepare an Environmental Review Record**, which will need to be renewed every 5 years. As part of this requirement, designate a position to act as the **Environmental Certifying Official for every county** within which the entity plans to conduct its programs.
- ☒ Outline procedures for complying with **Lead-Based Paint** regulations.

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- ☒ Submit a **Public Outreach Plan** for the entity's entire jurisdiction. For those conducting HBA programs, this must include outreach to those living in public housing and manufactured housing.
- ☒ Provide evidence of **public support from City and/or County officials**.